

Message Text

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ACTION EA-09

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R 310650Z JUL 76

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 5861

INFO AMCONSUL HONG KONG

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STADIS//////////

E.O. 11652: N/A

TAGS: EAID, EFIN, SN

SUBJECT: U.S. POLICY TOWARD ADB LOANS TO SINGAPORE AND HONG KONG

REF: (A) STATE 183998; (B) JAKARTA 9793; (C) SINGAPORE 2359

1. EMBASSY APPRECIATES DEPARTMENT'S GUIDANCE ON SUBJECT OF
ACCESS TO ADB FACILITIES AND CLARIFICATION OF RATIONALE FOR
DIFFERENTIAL INTEREST RATES SET FORTH REF A. WHILE EMBASSY
IS IN GENERAL AGREEMENT WITH POLICY APPROACH OUTLINED THEREIN,
WE WOULD LIKE TO COMMENT ON THIS POLICY BRIEFLY FROM FIRST SINGAPORE
AND THEN REGIONAL POINT OF VIEW.

2. CRITERIA SET FORTH PARA 2 REF A WOULD APPEAR TO VIRTUALLY
EXCLUDE SINGAPORE AND HONG KONG FROM ADB LOANS. ALTHOUGH
PARA 3 LEAVES THE DOOR AJAR BY ADMITTING THE POSSIBILITY OF
MODEST LOANS TO THESE TWO ENTITIES FOR EXCEPTIONAL SOCIAL
DEVELOPMENT PROJECTS, THIS LIKELY TO BE OF SMALL CONSOLATION,
AT LEAST TO SINGAPORE; GOS IS INTERESTED PRIMARILY IN LONG-
TERM FUNDING OF INFRASTRUCTURE PROJECTS (REF C). HOWEVER,
EMBASSY HAS NO QUIBBLE WITH THE PROPOSITION THAT SCARCE
IDI FUNDS SHOULD GO PRIMARILY TO MOST NEEDY LDCS, AND WE
BELIEVE THAT THE GOS IN PRINCIPLE PROBABLY ACCEPTS THIS
TOO. WE WOULD, HOWEVER, VOICE THE HOPE THAT THE NAC WILL
SHOW FLEXIBILITY IN APPLYING THE POLICY CRITERIA.
"SOCIAL DEVELOPMENT PROJECTS" IS A CRITERION WHICH CAN BE

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TAKEN AS EITHER ENCOURAGINGLY BROAD OR ALARMINGLY VAGUE.

3. WITH REGARD TO THE REGION, THE OPERATIVE WORD ON LOAN POLICY SHOULD, AGAIN, BE FLEXIBILITY. THERE IS POSSIBILITY ASEAN COUNTRIES MAY APPROACH ADB FOR FINANCING OF VARIOUS ASEAN INDUSTRIAL PROJECTS (C.F. REF B). A POLICY QUESTION MIGHT THEREFORE ARISE AS TO WHETHER OR NOT AN ASEAN PROJECT IN SINGAPORE (POSSIBLY INVOLVING EQUITY FROM OTHER ASEAN COUNTRIES) WOULD BE ELIGIBLE FOR ADB FUNDING. ALTHOUGH THIS IS PERHAPS A BRIDGE NEVER TO BE CROSSED, IT IS NOT AN ALTOGETHER HYPOTHETICAL QUESTION; SINGAPORE IS COMMITTED TO GOING AHEAD WITH AN ASEAN DIESEL ENGINE PROJECT. IT WOULD BE UNFORTUANTE TF A SITUATION SHOULD ARISE IN WHICH THE U.S. WOULD BE INSTRUMENTAL IN DENYING ADB FUNDS TO SINGAPORE FOR ASEAN PROJECT FUNDING NOT ONLY WOULD SINGAPORE REACT WITH DISPLEASURE, BUT U.S. - ASEAN RELATIONS GENERALLY COULD BE MADE DIFFICULT. U.S. EXCLUSION OF INDONESIA FROM GSP IS A CASE IN POINT.

HOLDRIDGE

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